

Donna,
 Congratulations on becoming a participant in the 401(k) plan. Automatic enrollment is just one of the steps we have taken to help you to get on the road to a financially secure retirement.



This is a personalized report which:

- explains why we automated both the enrollment and investment processes;
- encourages you to increase your contribution level to 6% so that you will “max-out” the company match;
- reminds you that achieving retirement security falls squarely on your shoulders and no one else’s.

How does the autopilot program work?

The company enrolled you into the 401(k) plan and deducted 3% from your paycheck. This money is then invested, along with the company match, in a target date fund (to be discussed shortly). With the first paycheck of each following year, your contribution will be automatically increased. (See ‘Auto Enrollment Basics’ table for details.)

At any time, you can reduce, increase, or stop contributions and/or assume responsibility for managing the money in your account. You can get a list of all the available investment options (as well as a detailed description of the plan) by going to the plan’s website www.website.com or by calling the call center at (1-800-xxx-xxxx).

Why did the company start the autopilot program?

Unfortunately, all too many of us spend more time each year planning a vacation than seriously planning for our retirement.

The reason for this is simple. We simply don’t appreciate that achieving a comfortable retirement:

- falls squarely on our shoulders and ours alone;
- requires much more money than we imagine;
- can’t be done with a “quick fix”.

Thus, the earlier we start saving for retirement and the more we save, the better off we are. That is why the company is helping you to jump start your retirement savings program.

Auto Enrollment Basics

Initial Salary	
Deferral to Plan	3%
Automatic Annual Increase in Deferral	1%, until 10% is reached
Default Fund	Target Date Fund XXXX
Company Match	50% on the first 6% of pay contributed
Discretionary Profit Sharing Contribution	5% of pay

Vesting Schedule

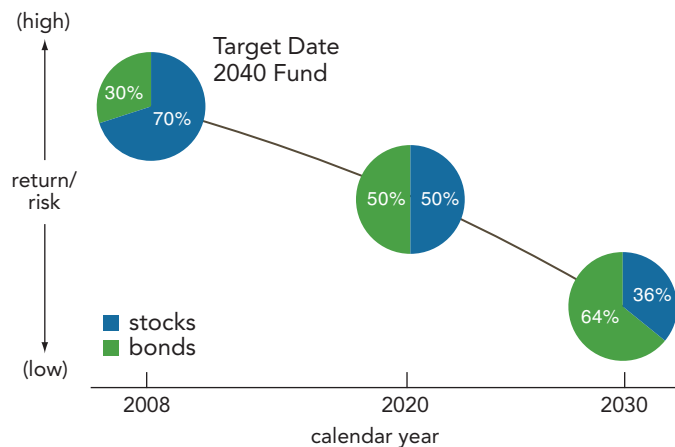
Years of Service	1 yr.	2 yrs.	3 yrs.	4 yrs.	5 yrs.
Vested Percentage of Company Contributions	20%	40%	60%	80%	100%

What are target date funds?

Research studies have found that many of us would appreciate having an investment professional manage our account. Target date funds provide such professional investment management, and, unless you tell us otherwise, all of your account will be invested in one well-diversified fund.

Investment professionals determine the fund's asset allocation (how it is split among various asset classes). These professionals will also change the allocation over time (see graph below). The closer you get to retirement, the more conservative the fund's allocation will become (that is, a smaller portion of your account will be invested in riskier assets such as stocks).

Automatic Reallocation in a Target Date Fund



Automating the enrollment process, then, is just one of the ways the company is helping you to achieve a comfortable retirement.

What are some of the other ways in which the company is helping me?

The other ways include the company's match, the profit sharing contribution, and the automatic annual increase in your contribution.

How does the company's match work?

Each year the company declares the percent, if any, of your contribution that it will match. Currently the match is 50 cents for every dollar you contribute up to 6% of pay. You can think of it as your bonus for contributing to the plan.

Your contributions are 100% vested from day one. This means that if you leave the company for any reason, you can take 100% of your contributions with you. The match, however, is subject to a vesting schedule. The vesting schedule determines the percent of the cumulative matches you can take with you if you leave the company.

What is the profit sharing contribution?

In addition to the match, the company may make a profit sharing contribution to your account. This is a "thank you" for your help in generating profits. The amount of this discretionary contribution is determined annually by the company.

Why are you increasing my contributions by 1% each year?

The answer is simple. When you retire, your 401(k) account must be large enough so that withdrawals from it, along with your Social Security benefit and any other income you might have, will be able to provide you with an adequate inflation-adjusted income. As you can see from the charts on the opposite page, if you contribute just the default contribution rate, even when the match and profit sharing contribution are factored in, it is unlikely that you will be able to achieve your targeted lifetime income goals.

(If you have other sources of retirement income, we suggest that you work with an advisor to incorporate these sources of income into a more detailed analysis of your needs.)

The charts assume that the company maintains the match at the current level until you retire and that all the assumptions, including the projected Social Security benefits, work out. We all know that these are big, probably even unrealistic, assumptions. It is for these reasons that we are:

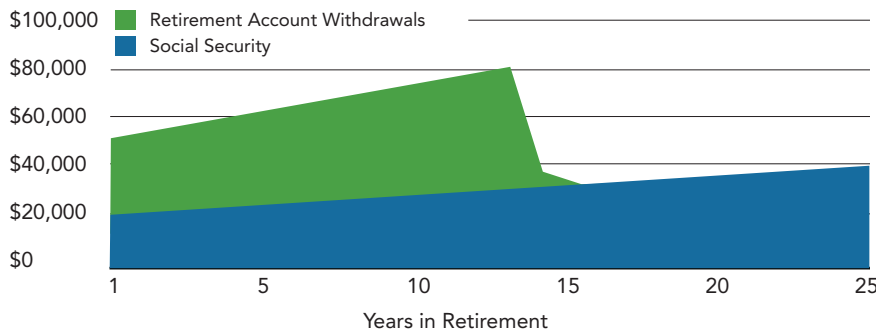
- automatically increasing everyone's contribution until they reach a rate of 10% of pay;
- showing you a suggested contribution rate (shown in the lower chart).

Are you saying that if I can afford to stash more money away for my retirement, I should do it?

You "hit the nail on the head". That is exactly what we are saying. We also recommend that you periodically review where you are along the road to retirement. You might find that you have more or less money than you had anticipated or that your needs have changed or both.

Projected retirement income making your current 3.0% contribution*
 (Projected account balance at retirement \$306,782)

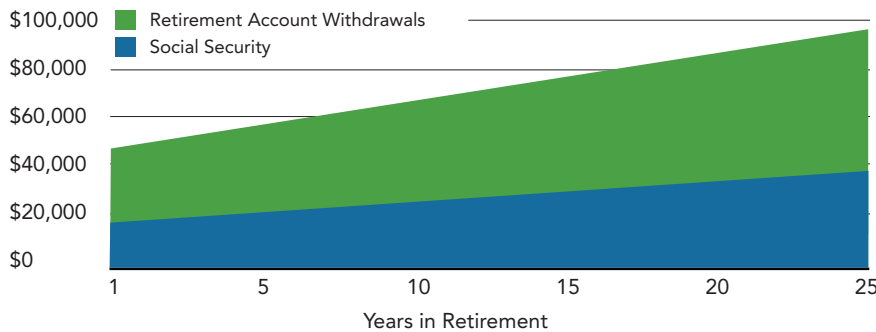
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Your contribution	3.0%
Your employer's contribution	1.5% **
Total contribution	4.5%

** The employer contribution includes a profit sharing contribution at X.X%.

Projected retirement income making the suggested 5.8% contribution*
 (Projected account balance at retirement \$459,337)



Your contribution	5.8%
Your employer's contribution	2.9% **
Total contribution	8.7%

** The employer contribution includes a profit sharing contribution at X.X%.

* Given the assumptions below, you are projected to need \$47,131 of income in your first year of retirement. Social Security is projected to cover \$24,141 of this amount. Thus, it is projected that you will need to withdraw \$22,990 from your nest-egg in your first year of retirement. In subsequent years, you will need to increase your withdrawals to keep up with inflation.

As the top chart shows, at your current contribution rate, your nest-egg is projected to be consumed after 16 years of retirement. If you increase your contribution to 6%, however, your nest-egg is projected to last for your entire life expectancy (as the bottom chart shows).

Assumptions

Current age	35	Social Security benefit at retirement	\$24,141	Pre-retirement investment return	8%
Current balance	\$10,000	Annual increase in Social Security benefit	2%	Post-retirement investment return	6%
Current salary	\$25,000	Post-retirement life expectancy	25 years	Employer match:	50% on the first
Salary growth rate	3%	Inflation rate	3%		6% of pay contributed
Replacement ratio	80%				
Retirement age	65				

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